



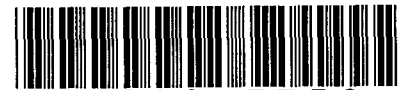
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January 10, 2001

Arizona Corporation Commission

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Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007-2996

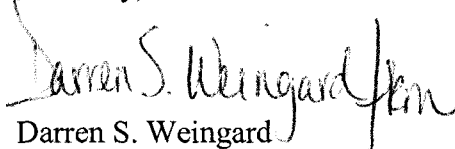
RE: Sprint  
ACC Tariff No. 2  
Docket No. T-02432B-00-1030

Dear Docket Clerk:

Enclosed you will find the original and 10 copies of Sprint's response to Staff's letter dated December 21, 2000 requesting information regarding Sprint's December 15, 2000 tariff filing for Dial 1. The attached response addresses all issues listed in Staff's December 21 letter with the exception of the affidavit regarding appropriate customer notification. As indicated in the letter at page 3, paragraph 2, this affidavit will be forthcoming next week once it is received from the publication service.

Please do not hesitate to contact me with any questions or concerns you may have regarding this response.

Sincerely,

  
Darren S. Weingard

DSW:km

Enclosures

cc: Marta Kalleberg  
Maureen Scott, Esq.



January 10, 2001

Ms. Marta Kalleberg  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Re: Sprint ACC Tariff No. 2—Docket No. T-02432B-00-1030  
Staff Letter Dated December 21, 2000

Dear Ms. Kalleberg:

In response to your letter dated December 21, 2000 regarding Sprint's proposed revisions to the 166<sup>th</sup> Revised Page 1, Sprint submits the following information. As you are aware, the December filing was made not to increase rates above currently filed maximums, but rather to introduce a new service charge on Dial 1 long distance services. Accordingly, as the charge relates to long distance services, there should be no question that such services are fully competitive services in Arizona. There are a multitude of facilities-based and non-facilities based resellers of long distance services in Arizona today. Moreover, as the nation's number three long distance carrier with less than a ten percent market share, Sprint does not possess anticompetitive market power.

By its filing, Sprint requested approval of tariff pages to introduce a new cost recovery charge for these competitive services. As the recovery charge is totally new, there were no already-filed minimum or maximum rates which Sprint would then exceed, justifying Staff's characterization as an increase in maximum tariffed rates otherwise triggering the provisions of the Arizona Competitive Telecommunications Rules, A.A.C. R14-2-1110.

Consistent with the manner in which fully competitive products such as long distance services are tariffed in Arizona, including the manner in which Qwest may receive flexibility to price Basket Three services by virtue of the proposed settlement in the rate case (T-01051-B-99-0105) when combined with "new" services packages that include at least one service already in Basket Three, Sprint filed proposed tariffs with a minimum and maximum range. The minimum filed was \$.10 and the maximum proposed tariffed rate was \$10.00. As evidenced in the proposed tariff, the Cost Recovery Charge has been set at \$1.98.

As I explained during our telephone conversation, the Cost Recovery Charge was calculated to assist in the recovery of costs related to intrastate access charges, which in Arizona, are approximately nine (9) times higher than the charges for interstate access.

This significant disparity between intrastate and interstate charges affects Sprint's long term objective to competitively price its long distance services at rates that are uniform between in-state and interstate, and which are consistent with the manner in which long distance customers purchase such services. Sprint's Cost Recovery Charge is targeted at this disparity because it is clear that various states are moving at differing speeds to set switched intrastate access charges at levels that mirror interstate access charges. As intrastate access charges decline, the Cost Recovery Charge will decline, and Sprint plans to introduce lower priced intrastate services as competitive conditions warrant.

Consumers have consistently indicated a desire for one-rate plans for interstate and intrastate/intraLATA long distance services, which is flatly impossible given the disparity between interstate and intrastate access charges, absent a targeted cost recovery mechanism like that proposed in Sprint's tariff. Rather than placing the charge in an increased monthly recurring charge which is unspecified and lumps in several types of charges, Sprint is moving toward an explicit and separate line item charge for consumer billing.

Sprint believes that for fully competitive services like long distance services, the market—and not intense price-regulation by the Commission—should produce these prices. Simply put, this type of service and service charge is not being implemented in a rate of return scheme where a company like Qwest possesses significant market power. Given the declining margins in the long distance industry, state-specific charges are necessary in order to permit Sprint to continue as the competitive force that it has been in the past. As it did in driving long distance rates down by implementing the first "dime-a-minute" product, to its 1000 minutes plan for \$40, to its all-distance pricing for PCS services, Sprint has been an important competitive driving force in the marketplace.

But, it is also clear that given the wide variety of long distance participants in Arizona (not to mention the pending Section 271 consideration to permit the former U S WEST into the long distance market), the market, and not the Commission should determine the consequences to Sprint of implementation of the legitimate new cost recovery charge. As has been the case for requesting changes in their primary interexchange carriers for years, customers may freely exercise their rights to change long distance providers easily, quickly and safely, including for dissatisfaction with the Cost

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Recovery Charge, the basis of which is clearly spelled out in Sprint's publicly available tariffs.

In accordance with Item No. 2 in your December 21, 2000 letter, as this Cost Recovery Charge is a new charge, there naturally is not a schedule of current rates that Sprint can provide to the Commission. Based upon information to date, Sprint expects that the cost recovery charge may result in initial additional monthly revenues of \$150,000, but expects that amount to decline as costs are reduced.

In accordance with Item No. 3 in your December 21, 2000 letter, appropriate notice to customers will be made beginning Wednesday and running throughout the week in five newspapers in the manner traditionally used in Arizona for such matters. Sprint intends to file the affidavit from the publication service under separate cover early next week. Consistent with industry practice, the Notice will include the Docket Number of this filing, a description of the service charge, the proposed minimum and maximum rates, a description of affected services, as well as information for consumers on the availability of filing comments and/or motions to intervene.

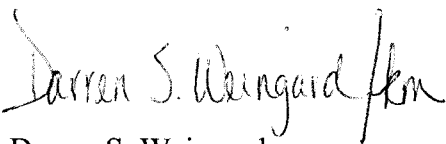
Finally, Sprint notes that in addition to the materials identified in R14-2-1110, your letter requests a statement on the effect the charge may have on Sprint's rate of return in Arizona. As Sprint has publicly stated in comments several times, application of rate of return principles to competitive carriers is inappropriate, and until the Arizona Supreme Court issues its ruling, not the current state of the law in Arizona. As a competitive carrier, however, Sprint Communications Company L.P. has not been subject to rate of return regulation or rules in any state. Sprint Communications Company L.P. simply does not maintain its accounts, including apportionment of assets, costs and revenue on a basis that would permit it to respond to the last request.

Sprint appreciates the opportunity to discuss this matter further with Staff in an effort to address the Commission's concerns. We also would be interested in discussing our concern that the Staff-Qwest proposed rate case settlement may grant Qwest greater flexibility to price "new" services than is accorded long distance carriers for their long-standing competitive services.

January 10, 2001

Please do not hesitate to call me if you have any questions or to set up a meeting with relevant Sprint representatives and senior Staff.

Very truly yours,

  
Darren S. Weingard

DSW:st

cc: Maureen Scott, Esq.